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# **Constitutionalizing “Authoritarian Liberalism” in the Philippines: A Critique of the Political Economy of Charter Change\***

Bonn Juego

A deeper logic underlies President Gloria Macapagal Arroyo’s Consultative Commission’s *Proposed Revision of the 1987 Constitution* launched in late 2005, the so-called Charter Change project. Its proposals provide for the fundamental institutional ensemble, with constitutional effect, that guarantees the global and domestic rights of capital. At the heart of this project is an effort to mobilize support for the constitutionalization of “authoritarian liberalism” as the *de facto* state form. In doing so, it seeks the promotion of a (neo)liberal economy embedded in an authoritarian political framework.

The term “authoritarian liberalism” is most closely associated with the conservative German jurist Carl Schmitt who, in the 1920s and 1930s, developed a theory of a strong state coexisting with a free economy. Long out of fashion because of his association with the rise of Nazism, Schmitt’s ideas have recently been propelled to the center of discussion to explain the coupling of neo-conservatism and market economics (McCormick 1997; Dyzenhaus 1998; Cristi 1998). In a series of essays Kanishka Jayasuriya explicitly identifies Schmitt’s conception of the political economy as underpinning the reorganization of state authority and regulatory frameworks in East and Southeast Asia. Central to these political-economic forms is “the emergence of the new regulatory state, which is directed towards the production of economic and social order within a globalised economy” (Jayasuriya 2005; see also Jayasuriya 2000 and 2001). The rationale behind this attempted transformation of political authority is clear. Through the provision of new regulatory frameworks, the state seeks to insulate a range of key economic institutions from the influence of democratic politics and thereby safeguard the market order. The outcome is an explicit linkage between authoritarian politics and a rules-based mode of governance in a range of economic policy areas. It is, in Jayasuriya’s (2001: 8) memorable phrase, “a politics of anti politics”.

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This paper draws explicitly on Jayasuriya's insights to develop a critique of the political-economic reforms envisioned by the present Philippine government. In doing so, it tackles head-on the claim that economic liberalization necessarily encourages the development of liberal and democratic modes of governance. For a while in the early 1990s, the consonance between liberal capitalism and political liberalism became the mantra of mainstream scholars as well as of practical proponents of so-called democratic transitions. They assumed that the liberation of a self-reliant and progressive middle class from authoritarian rule was a functional requirement of well-managed markets. Today, such a claim appears hollow.

Theoretically, the model of liberal democracy generally proposed in the transitions literature was always thin. It alienated the idea of democracy from its social connotation as popular power in favor of "formal" and procedural criteria, symbolized above all by the holding of regular multi-party elections and the "effectiveness" of political institutions. The principles and associated practices of people's sovereignty, including the accountability and responsiveness of governments, and political expression and participation by voters and citizens, hardly featured at all in this research program. Empirically, the Southeast Asian region appears to demonstrate a quite different prospectus from that of the transitions discourse. All the countries of the region—with the partial exception of Burma/Myanmar—have undergone capitalist revolutions and become increasingly integrated into the circuits of the global economy. At the same time, most of these states have durable authoritarian political systems. In fact, *pace* the transitions perspective, globalization may in fact mean the end of liberal democracy rather than its triumphant ascendancy (Cammack 1998). Historically, then, if there is any cogent lesson that the past two decades have shown about the relationship between democracy and political-economic regime, it is that capitalism can thrive and survive even without democracy. As Rodan *et al.* (2006: 26) put it: "the bourgeoisie is not a necessary force for political liberalism and democracy ... indeed, elements of it might well be profoundly illiberal and anti-democratic if this serves their interests". To this extent, Schmitt's characterization of the strong state and the free economy appears to have more traction than the proponents of liberalism would care to admit.

The Philippines is an ideal illustration of the dynamic processes of state transformation that have been in train. Since the heady days of the People Power revolution of 1986, the country has experienced a political transformation that has reconsolidated elite forms of political power in frameworks that are more congruent with a highly attenuated version of democracy. A succession of administrations have built a state characterized by limited accountable government, relatively unfree and unfair competitive elections, partially curtailed substantial civil and political rights, and compromised associational

autonomy (Cammack 1998; Pinches 1997). At the same time, the last two decades also witnessed a concerted effort to integrate the Philippine economy—historically more “open” than many of its neighbors—into the global economy through a series of market reforms. The push towards liberalization was substantively set in motion by Corazon Aquino in 1986 (with the Philippine Privatization Program), and then further advanced by the subsequent presidency of Fidel Ramos who actively sought to attract new flows of international private capital. Both Aquino and Ramos embraced neoliberal ideology—the adoption of free market doctrines and their application to all aspects of economic activity—though departed from the ideal-type of policy prescription advocated by the Washington Consensus in response to particular vested interests.

This double movement of authoritarian liberalism has qualitatively accelerated since the assumption of power by Arroyo in 2001. She has set out systematically to construct a dependent capitalist economy, governed according to a new generation of neoliberal policies, and overseen by what she terms a “strong republic”. The evidence for Arroyo’s strategy of hollowing out the country’s democratic institutions is legion. The use of security laws to intimidate and detain critics is accompanied by intimidation through the courts and diverse legislation to constrain collective political action. She has appointed saboteurs of democracy in the Commission on Elections; she has constructed a powerful Congressional coalition whose main purpose seems to spend institutional resources in aid of the President herself; the Supreme Court has failed to act in a timely fashion on pressing constitutional issues; the integrity of the Commission on Audit and the Civil Service Commission has been questioned; the Commission on Human Rights—supposedly the guardian of political rights—has been ignored; the media and civil society have been disciplined. Against the odds, then, Arroyo’s administration has survived despite its tarnished legitimacy, poor economic performance and a seemingly powerful constellation of oppositional forces. These are signs of the times: a forbidding project to construct a lasting authoritarian social order is being reproduced.

This paper analyzes the transformation of the Philippine state toward a version of authoritarian liberalism through an interrogation of the Consultative Commission’s *Proposed Revision of the 1987 Constitution* which, it is suggested, is the most complete articulation of this project. The paper is organized in three parts. First, it briefly delineates the composition of the appointees to the Consultative Commission—a network of businesspeople, real estate developers, bankers, lawyers, and academics with a strong vested interest in expanding the scope of market reforms. Second, it closely examines the content of the Commission’s proposal, revealing the elitist and capitalist character of the proposals that are both implicitly and explicitly articulated in the proposed Charter’s discursive strategies. And finally, it concludes with an

analysis of the nature of market-led development through the reconstitution of social relations and the instauration of a “strong republic” that is explicitly anti-democratic. Neoliberalism requires a significant redesigning of the state. The reading of the Charter proposed here suggests that the clear intention of the Commission is to configure new institutions that are more likely to secure the conditions for elite and capitalist reproduction in the Philippines within the framework of a neoliberal “strong republic”.

### **The Commissioners for Charter Change**

On 19 August 2005 Arroyo signed *Executive Order No. 453* creating the Consultative Commission (ConCom). Its mandate was explicit; it

shall conduct consultations and studies and propose amendments and revisions to the 1987 Constitution, principally the proposals to shift from the presidential-unitary system to a parliamentary-federal system of government, to refocus economic policies in the Constitution to match the country’s vision for global competitiveness, and to review economic policies which tend to hinder the country’s global competitiveness and adversely affect the people’s welfare (Consultative Commission 2005a).

The Charter Change project was launched as the administration’s response to a perceived *social* crisis, what it termed “our chronic political, economic and cultural problems.” The starting point of the project is the recognition by the administration that the dynamics of political-economic change are increasingly shaped by the promotion of investment and domestic entrepreneurship and the pursuit of global competitiveness (Cammack 2006). At the same time, the re-design of the state along the lines envisaged by the Charter Change project also reflects changing models of national political-economic management and, as a result, new configurations of decision-making authority over all political, social, economic and cultural affairs.

When the 55 members of the ConCom (this was a rather loose interpretation of the intention that the Commission be composed of not more than fifty members) were appointed, it was chaired by the well-known academic and passionate proponent of federalism, Jose V. Abueva, who carried the banner of the Charter Change project. The ConCom literally embodied those actors who were chosen to operate within and upon the agencies of national economic governance. Who were the 55 appointees to draft Arroyo’s vision for a globally competitive Philippine political economy? A college of businesspeople, real estate developers, bankers, political elites and leaders, pro-market labor unionists, academics and lawyers—most of them predisposed to a neoliberal model of governance that is more responsive to the market forces than to popular-

democratic forces. The composition of the ConCom, then, *a priori* excluded the possibility of political or policy alternatives. It set out explicitly to promote competitive capitalism on the national scale, and the preserve of the system of elite rule that has been the hallmark of the Philippine polity for the past century.

The list of the Commissioners (available for scrutiny together with their affiliations at the Consultative Commission website [Consultative Commission 2005b]) reveals a large majority who not only are drawn from identifiable elite forces but who have articulated broad support for advancing the central objectives of the neoliberal agenda. Of course, it has been in Malacañang's interest to present the Commissioners as not only being competent in their own fields but somehow existing above the political fray which is said to be so debilitating to the reform agenda. As Executive Secretary Eduardo R. Ermita put it, the Commissioners are supposedly the best and brightest personalities in the country representing "a broad spectrum of views and backgrounds that would make for a free, open and responsible debate on political reforms without the extra baggage of political ambition or self-serving interests" (Consultative Commission 2005). In fact, Ermita's comment is extremely revealing of the new politics of political-economic reform as "anti politics". There is an assumption here that "politics" that reflect "interests" will muddy the waters of market reform. In its place the government seems to impose a self-restricting set of procedures—underpinned by appeals to the rule of law and constitutional niceties—as a substitute for the old politics of conflict and bargaining. It pretends that reforms can be magically implemented without the need for compromises, coalitions or conflicts. In effect, then, the ConCom was established as a governance mechanism deliberately to protect the market order from political interference which, of course, is a highly politicized strategy (Jayasuriya 2001: pp. 8 ff.). The ConCom is like a shadow play of the very real transformations that the Philippine state is currently undergoing.

### **Constitutionalizing Authoritarian Liberalism: Governance in a Neo-liberal World**

It is against the background of Arroyo's well-documented predisposition to authoritarianism and market-driven anti politics—and, as we have seen, a ConCom replete with representatives elite political and economic forces—that the proposed revision to the 1987 Constitution was inaugurated and is being advanced. It was launched in the midst of a deep structural crisis and with latent threats to Arroyo's own political fortunes. While the issues of timing (during Arroyo's presidency or beyond), mode of change (through a people's initiative, constitutional convention, or a constituent assembly) and vested interests (of Arroyo and her allies, as well as of ConCom members) are important to the public debate about Charter Change, an equally important analytical task is to



unpack the neoliberal *ideas*, and the elitist philosophy that comes with it, being institutionalized in ConCom's proposed Constitution. The understanding of neoliberalism used here refers to the application of free market doctrines not only to all aspects of economic activity but increasingly to the operation of public institutions. As David Harvey (2005) has commented, neoliberalism elevates the private sector, private property and their attendant values to a dominant role in society. Here, we argue that ConCom's *Proposed Revision of the 1987 Constitution* is a blueprint for the institutionalization of precisely this neoliberal kind of governance. In particular, it outlines the fundamental institutional framework for market-led development through the strengthening of market-driven social relations, and a strong state able to manage the contradictions of the elitist and capitalist systems.

### *Market-led Development through Market-driven Social Relations*

From the perspective of capital, the 1987 Constitution is a burden and a threat to capitalist hegemony—especially to its current configuration, neoliberalism. As a political institutional framework, it is a threat to the neoliberal offensive in a number of senses. It allocates a prominent role for the state in the spheres of social life. It affirms labor “as a primary social economic force”. It privileges the provision of an industrial policy in which the national development strategy is to be pursued through industrialization. And, its outmoded political- economic provisions are said to constrain free capital mobility and the attendant drive toward competitive capitalism.

The Charter Change project comes at a time when the neoliberal revolution is intensifying and, at the same time, pressing for new policy priorities and taking new institutional forms. State architectures are being reorganized in such a way that the requirements of international competitiveness are internalized. The proposed Charter seeks to institutionally embed what successive Philippine governments have long been committed to: the pursuit of an “open market economy” through macro-economic structural adjustments in the policies of privatization, deregulation, and liberalization. Further, it aims to create a globally “competitive” Philippines through comprehensive institutional reforms and behavioral change (which includes a change in values) in relation to the market and the creation of “competition cultures,” labor market flexibility, and the development of “human capital.”

### *(a) “Market! Market!”: The Institutionalization of the Capitalist Ethos*

In any Constitution, the article on “Declaration of Principles and State Policies” (Article 2 in the case of the Philippines) outlines a nation's values. National values as enshrined in the Constitution are things, ideas, principles, and policies that people in a given territory regard as important to national life at a particular historical moment. One of the most interesting ways their significance has been

understood in critical standpoints on political economy has been through the concept of the “moral economy”. As Andrew Sayer (2003: 1) has noted:

The moral economy embodies norms and sentiments regarding the responsibilities and rights of individuals and institutions with respect to others. These norms and sentiments go beyond matters of justice and equality, to conceptions of the good, for example regarding needs and the ends of economic activity.

This acute insight offers us a critical reading of precisely how the authors of the constitutional changes propose to constitutionalize their own moral-political norms and sentiments.

The proposed changes in Article 2 assert a new set of values for the Filipino people, deleting each and every provision on the state’s responsibility for social entitlements as affirmed in the 1987 Constitution—in particular, the role of the state in the provision of education, health, youth development, communication and information, and balanced and healthful ecology. The removal of these provisions means something profound, much more profound than the very narrow legal critique about the verbosity of the 1987 Constitution. It means the introduction of new set of values for a neoliberal world order. What is left unsaid in the proposed “state declaration” is that all those social entitlements are better left to the market forces. Central to this is the abandonment of state’s promotion of “total human liberation and development” in favor of market values. They are now tasked to be satisfied not by the state but by private provision in the market.

Even more striking is the overt provision in the proposed Constitution asserting the capitalist ethos as regards property that would disembed the market from the society. The proposed Constitution (Article XIV, Section 5 [National Patrimony]) deletes the significant sentence in the 1987 Constitution which affirms that the market is firmly embedded in the society: “The use of property bears a social function, and all economic agents shall contribute to the common good” (Article XII, Section 6, 1987 Constitution). The deletion of this declaration only means the institutionalization of a system of appropriation that is very much private; and hence concealing the fact that the system of private appropriation in capitalism implicates the whole of society. In addition, while the proposed Constitution recognizes the “authority” of the state to promote distributive justice and to intervene for the common good, it does not anymore see these functions as the “duty” of the state. Yet public institutions, including the proposed Constitution, must all be mobilized in order to sustain this system of private property that carries no public responsibility.

The framers of the proposed Constitution then go on to spell out the duty of every Filipino citizen in a new article called “Bill of Duties” (Article V). The article enjoins the citizens to contribute to “good governance” and the “vitality and viability of democracy.” But this merely begs the question: “good governance” *for whom?* In a neoliberal world, “good governance” is *for* the capitalist market. The World Bank (2002: 99) explicitly defined its neoliberal stance on good governance:

Good governance includes the creation, protection, and enforcement of property rights, without which the scope for market transactions is limited. It includes the provision of a regulatory regime that works with the market to promote competition. And it includes the provision of sound macroeconomic policies that create a stable environment for market activity. Good governance also means the absence of corruption, which can subvert the goals of policy and undermine the legitimacy of the public institutions that support markets.

Good governance then is for *market* transactions and for *market* activity, an institutional framework that works with the *market* and that supports *markets*. What we have now are the Philippine elitist and capitalist class in alliance with transnational capital crying, “Market! Market!” But there is an alternative critical hypothesis. If they are providing a prominent role for the market that implicates the lives of each and every Filipino, why not provide a bill of duties as well for the market? The market fundamentalists have a quick answer to this: capital does not have citizenship and it is only loyal to profit. As such, market cannot contribute to the “vitality and viability of democracy” because it is not simply a space of freedom and choice, but of domination, coercion, greed, need or desire.

*(b) The Neo-liberal Offensive: An Ideological Assault on Workers*

The institutionalization of capitalist hegemony is not complete without launching an ideological assault on the workers. In particular, it must change the society’s consciousness towards labor—from the existing social declaration that labor is a source of value and wealth, to a new capitalist mindset that regards labor only as a cost. It is for this reason that the 1987 Constitution’s declaration that “[t]he State affirms labor as a primary social economic force. It shall protect the rights of workers and promote their welfare” has to be revised in such a way that provides the platform needed for the project of creating the conditions for the hegemony of capital over labor, upon which capitalist reproduction ultimately depends. In the proposed Constitution, the word “responsible” is added to describe the role of labor as a social economic force. And it then guarantees not only the rights of the workers, but the private sector as well. It says, “The State affirms labor as a primary and *responsible* social economic

force. The State shall protect and promote the welfare of *both workers and employers.*” (Article 2, Section 11, ConCom).

The revision is consistent with the emphasis put forward by the World Bank, the architect of neoliberalism itself, in the mid-1990s on the role of workers in an integrating world. The Bank promotes “effective” unions, and indeed “responsible” labor, that would work with the market and help firms extract more profit; but not to protect jobs, distort markets, and oppose reforms and structural adjustment programs (see World Bank 1995). The Bank then proudly asserted in the late 1990s that “nothing is more significant to economic growth than the private sector” (Wolfensohn 1999: 19-20). It is true that the framers of the proposed Constitution still provide for affirmative actions as regards the liberation of women against oppression and the rights of indigenous peoples and all the other identities. The capitalist system they are trying to constitutionalize can tolerate the rights and liberation of these identities because the system is in fact resistant to them. What they cannot affirm and tolerate however is the liberation of the workers.

*(c) Neo-classical Economics Redux, Neo-liberal Policies Institutionalized*

The article on “National Economy and Patrimony” in the 1987 Constitution outlines a kind of Keynesian economics, reflective of the longstanding project of national developmentalism that still held some ideological sway in that period. It stresses the goals of the national economy to include “a more equitable distribution of opportunities, income, and wealth; a sustained increase in the amount of goods and services produced by the nation for the benefit of the people; and an expanding productivity as the key to raising the quality of life for all, especially the underprivileged.” Hence, it provides for an industrial policy in which industrialization is the core development strategy—providing adequate social services, promotes full employment, a rising standard of living, and an improved quality of life for all. The key idea of an industrial policy is not simply about protectionism, but the systematic “coordination” among economic actors (state, business, workers, and other social actors) and economic sectors (manufacturing, agriculture, and services) toward economic development. The proposed Constitution (especially in Articles II and XIV) discards these Keynesian provisions altogether, paving the way for the institutionalization of neo-classical economics (with its equality assumptions that all economic activities are *qualitatively alike* in contributing to economic growth) and neo-liberal policies (with its excessive market optimism that could usher in development).

Interestingly, the framers of the 1987 Constitution were not unaware of the history of economic development and thus the powerful analytical tool of development economics. They discarded the mother of all assumptions in neo-

classical economics: the assumption of no diversity and no qualitative difference; hence the equilibrium metaphor that portrays the market as a mechanism creating automatic harmony. The 1987 Constitution understands development as a process of cumulative causations which are the joint effects of factors excluded by the neo-classical equilibrium metaphors. Among other things, it recognizes: (a) the qualitative difference between economic activities (across and within manufacturing, services, and agriculture); (b) the diversity (the *degree* of division of labor); (c) synergies (linkages and clusters between manufacturing, services, and agriculture sectors); (d) institutions (to safeguard the common good); and, (e) novelty (significance of innovation, learning, and science). It regards the manufacturing industry as key to economic development, and that a combination of manufacturing activities and a large division of labor is crucial in creating a wealthy nation. The benefits the 1987 Constitution claims for this strategy include reducing unemployment, increasing the tax base by creating high-income individuals, helping solve balance of payments problems, and increasing the velocity of money circulation. The 1987 Constitution thus aims to copy the development strategies of wealthy economies characterized by *increasing* returns, specializing in activities where the opportunities for innovation are the largest with a large division of labor and diversity, dynamic synergies and strong institutions, and intensified innovation (see Reinert 2007).

The core ideas that derived from mainstream development economics in the 1987 Constitution are now being driven out of the discourse. The 1987 Constitution values *synergy*—specifically, the priority the state has to put on a dynamic manufacturing industry (manufacturing), comprehensive rural development and agrarian reform (agriculture), and the development of people's skills and talents for science and technology (services). The idea is to achieve a diversified economic sector besides agriculture and raw materials. Agriculture, or services, may serve as an engine of growth but not alone in monoculture without a manufacturing sector. This synergy among economic sectors is embedded in “policy coordination” intrinsic in any industrialization strategy and in the history of economic development: the coordination of education policy, industrial policy, innovation policy, trade policy, and competition policy. But the neo-classical sensibility behind the proposed Constitution is unable to register synergies and linkages. It is also unable to register qualitative differences (including the different potentials of economic activities as carriers of economic growth) and to cope with innovations and novelties, especially how differently these are distributed among economic activities (see Jomo KS and Reinert 2005; Reinert 2007).<sup>1</sup>

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<sup>1</sup> Intuitively, the framers of the 1987 Constitution had at least some inkling of the vital role that manufacturing has played historically in the development of sustainable economies. As Reinert notes: “For centuries the term “manufacturing” was synonymous with the combination of technological change, increasing returns and imperfect competition. By cultivating manufacturing, nations captured the “good” type of economic activities. I argue that this has been the pattern of success starting in England under Henry

For a long time now, the government has prioritized the service sector simply because it claims it is the country's "comparative and competitive advantage" over other similarly-placed economies. In addition to the deletion of the provisions mandating the state to promote agricultural and industrial development, it is striking that the proposed Constitution also deletes the mandate for the state to pursue a "trade policy" that serves the general welfare on the basis of the principles of "equality and reciprocity." The proposed Constitution spells out an explicit priority on services. In this regard, it is acting in ways analogous to the most developed economies in the World Trade Organization with their primary concern with the deregulation of free trade in services under the terms of the stalled Doha Round. But the kinds of services the government promotes are not even knowledge-intensive, and they include most of the economic activities of the Overseas Filipino Workers (OFWs) and call centers. Take, for example, the call centers. Apart from several alienations most call center agents suffer (such as alienation from one's own labor, geography, family and friends, and educational attainment), working in most call centers only requires a handful of skills: (English) communication skills and consumption of coffee to keep one awake. Services may be at par with the significant role manufacturing once did in the developed world. However, the service sector, even if it is knowledge-intensive, cannot grow and thrive without demand from a diversified manufacturing base. In this sense, synergies among economic sectors—i.e. the dynamic interaction among manufacturing, services, and agriculture—are a prerequisite for sustainable economic development. Without regard for this significant insight, the Philippines remains a specialist in being poor (see Jomo KS and Reinert 2005). That is why even if the latter articles (from XV to XVIII) and sections in the proposed Constitution define the role and responsibility of the state in education, health, protection of labor, social justice, strengthening of family, among others, it is hard to believe them. The market-led, service-oriented development strategy enshrined in the proposal simply cannot fulfill these injunctions. Indeed, to constitutionalize requires constitutional lies.

The proposed Constitution's regard for the promotion of all citizens' right to quality education and the Filipino family as the foundation of the nation serves as a prime illustration of this kind of shadow play. Under conditions of a market-led, service-oriented development strategy, massive investment in education for the development of human resources merely feeds out-migration. This is not to suggest however that education must be only responsive to the needs of the industry in a simplistic functional way. It only shows how "policy

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VII, via the industrialization of continental Europe and the United States, to the more recent successes of Korea and Taiwan." For the classical account of the backwardness of the Philippine elites who focused on *diminishing* returns activities with no technological innovation and attenuated industrial diversification see Rivera (1994).

coordination” of education policy, industrial policy, and other policies are indispensable to economic development. This, however, is no problem for Arroyo and her economic managers, for the export of educated workers is precisely their palliative economics: the government actually sees virtue in the fact that thousands of Filipinos emigrate every day and send back remittances to boost the economy’s GDP. In connection to this palliative economics is another constitutional lie as regards the maintenance of the provision in the proposed Constitution (Article XVII, Section 1) that “The State recognizes the Filipino family as the foundation of the nation. Accordingly, the State shall strengthen its solidarity and actively promote its total development.” The fact of the tremendous social costs of migration is well-known and is available to those who wish to understand them. But the implication of the government’s migration policy for family relations is best captured in the words of Marx and Engels (1998 [1848]) more than a century-and-a-half ago: the policy for mass migration “has torn away from the family its sentimental veil, and has reduced the family relation into a mere money relation.”

An industrial policy still makes sense for the developing world in the era of globalization. There is a need for developing countries like the Philippines to pursue industrialization which could address the issues of production and redistribution, and usher in civilization and long-term development. In particular, a very strong and efficient manufacturing sector that is able to perpetually enhance its technological capability, and able to create local synergistic exchange between different economic activities in the urban and rural spaces, as well as possessing diverse economic base, a dynamic division of labor, and specializing in increasing returns activities. Indeed, a strong case could be made for the proposition that industrialization strategy has a great potential to tackle the immiseration of millions of Filipino people. But there is a sensitive fundamental issue that (transnational) capital and pro-capital political forces would hardly dare to take risk: only a dynamic industry is able to create formal employment—let alone, full employment—in which a “critical mass” and a countervailing power of labor unions are socially formed.

#### *(d) A Project for Capitalist Modernization*

The resurgence of neo-classical economics has been accompanied by neoliberalism’s project for capitalist modernization, which is often sugar-coated in the good governance rhetoric of capital’s transnational agencies. The neoliberal project aims to create a genuinely competitive capitalism, and hence sweeping away all the inherited evils and vestiges of pre-capitalist, feudal relations. For capitalists and pro-capitalist political forces, the reproduction of capitalism in the Philippines suffers from the incompleteness of capitalist development because of limited competition and market access for “global” capital. This vision for capitalist modernization is the central reason the

proposed Charter allows for “foreign” capital to operate in the country; provides mechanisms for easy “entry” and “exit” of capitalist enterprises; maintains the pursuit of flexibility and productivity through labor market reforms for competitiveness; and restructures the Philippine geography into competing sites of accumulation under a federal system.

First, the proposed Constitution promotes capitalist competition by allowing foreign ownership of industrial, commercial, or residential lands and assets (including the mass media); and it guarantees as well the rights of foreign capital to explore the minerals and natural resources of the country. As such, the sentence in the 1987 Constitution that identifies “a sustained increase in the amount of goods and services produced by the nation for the benefit of the people” as one of the goals of the national economy has been deleted in the proposal. The national economy is then envisioned to embrace production for profit more than the production for needs. In doing so, the proposed Charter guarantees the rights of international capital, in greater scope and depth than ever.

Second, the proposed Constitution removes policies it regards barriers to easy and quick entry and exit of firms. For instance, the limits imposed by the 1987 Constitution on private corporations, individuals, and “foreign” capital in terms of time, area, and scope of landholding, lease, co-production, and joint ventures have been deleted. This framework for a reduction of policy-related barriers to easy “entry” and “exit” of firms is important especially for firm-level competition and for a firm’s productivity growth in particular. However, this guarantees the untrammelled adventurism of free capital mobility known for its short-termist predisposition. Rather than enhancing the efficacy of the country’s macroeconomic policy that will encourage longer-term investment and at the same time raise some taxes, the proposed Constitution actually makes the Philippines highly vulnerable to capital flight.

Third, the proposed Charter maintains the provision on labor productivity, now under the neoliberal agenda of labor market reform. This implies the creation of a “flexible” labor force as a key strategy to the establishment of competition cultures and the promotion of competitiveness. At both the national and firm levels, increasing labor productivity—hence, the increase in capital/labor ratio—is the essence of competitiveness and the key to ensuring survival and long-run growth. Yet, competition and expansion depend not on workers’ salaries but on unit labor cost, i.e. a combination of effective cost per worker and the productivity of labor. In the context of intensifying global competition that generates pressures to lower wages and induce poor labor standards across the world, the *asymmetry* between the goals of increasing productivity, on the one hand, and rising real wages, on the other, is logically apparent in the



competitiveness rhetoric. Hence, under such conditions, the proposed Constitution is being economical with the truth when it says that “expanding productivity” is “the key to raising the quality of life for all, especially the underprivileged.”

Fourth, the project to reconstruct the Philippine political geography under a federal system also implies an economic logic *for* capital (ConCom Article XII). Central to this is the creation of “autonomous territories in the country” to be transformed into centers of accumulation; that is to say, *competing* sites of accumulation. The uneven character of development in the country in which primitive/feudal/pre-capitalist relations *coexist* with modern features of the society suggests that different territories require distinctive strategies for capital accumulation from autonomous territory to autonomous territory within the geographical landscape of national capitalism. As such, the proposed Charter provides for more comprehensive primary legislative powers for every autonomous territory, to include socio-economic activities such as “planning, budget, management, finance, agriculture and fisheries, natural resources, energy, environment, technology, transportation, housing, health and social welfare, and labor and employment” (ConCom Article XII, Section 16) which are excluded in the narrow and limited administrative-socio-cultural scope the 1987 Constitution provides for local government units. The ambitious vision will thus turn the Philippine landscape into a huge bazaar with localities competing for investments and markets and hence peddling their workforces, offering the lowest prices for doing business. It would compel not only localities but also businesses to compete with one another. The idea is that businesses, under intensified domestic competition, would be able to cope with the rigors of international competition. This is the politics of a genuinely competitive capitalism: it is not simply about satisfying businesses’ wants, it is also about forcing businesses to be competitive. And here lies the system’s inherent contradiction: capital is completely dependent on the market, and the logic of competition must be perpetually realized for its survival and self-reproduction.

Indeed, one must recognize that it is intrinsic in the capitalist modernization project to create a new ruling class that would compete with, and could even replace, the old *trapos*, landlords, bosses, and capitalists. But one must also recognize that the social relations would be the same: capitalist and elitist; still the hegemony of capital over labor, and the real subsumption of the masses to the elites. Accordingly, one must also recognize that it is intrinsic in the project to alleviate poverty not simply through the traditional neoliberal strategy of market “trickle down” effects. It is also through the innovative contemporary neoliberal strategy of “accumulation of human capital,” that is the productive utilization of the most abundant asset of the poor: labor. However, one must also recognize the limitations of such project that leaves the system unchanged—the

very same system that reproduces poverty, upon which the secret of its survival ultimately lies.

*A Strong Republic, But Not Democratic*

Apparently evident in the crafting of the proposed Constitution is the fact that globalization does not bring about the end of the nation state but rather its re-design. States are in fact *authors* of globalization by the way they sign international agreements, legislate policies, and promulgate constitutions to effect their internal reorganization for global capitalism. The contested ideologies of the “appropriate” state form take place not only at the discursive and normative levels (though these are important) but on crucial bureaucratic, institutional terrains as well. The nation state remains the world’s universal political form and the indispensable medium of global capital. The market, on the other hand, is a blind force which needs supporting governments and social institutions as well as a stable political order and legal framework that would provide a certain degree of predictability for capital. At the same time, there is no “invisible hand” that automatically corrects market failures; and as such, there is need for non-market responses (i.e., from states and other social actors) to market imperfections. Against this background, the idea of a “strong state” or a “strong republic” is not at all incompatible with neoliberalism so long as the dynamics of capitalist competition are promoted without fear or favor.

While the proposed Constitution is a project of capital (and pro-capital political forces) and the elites (and pro-elite forces) who vehemently believe in capitalist market-led development and elite rule, it likewise reflects the surrender of the Philippine state to a genuinely global capitalist system. It is no longer the old-style imperialism of the rich simply extracting value from the poor, but of a new variant of subjecting poor countries and the workers to the imperatives of the market. It would be uncritical, however, to assume that the local managers of the global capitalist system, together with the elites and pro-elite rule forces, are not critical. Arroyo and her political economic advisers need to be “critical” as their opponents in the sense that they need to be mindful of the complex processes at work in making the system run smoothly and that they are able to find innovative responses as crises and conflicts arise. After all, the maintenance of the status quo is not an easy task. They are all too aware of the fact that crises, contradictions, and clashes of interests are inherent in both the capitalist and elitist systems. In order to compensate for their limited capacity to manage the affairs of the economy they have to manage the polity instead. Managing the polity conducive to a neoliberal economy involves the containment of conflicts and class struggles, absorption of risks to capital, as well as providing the assurance of state legitimacy through the ballots. Thus, a strong republic could actually be a positive asset for neoliberalism.

Indeed, the complexities of the capitalist and elitist systems, the crises they induce, and the conflicts they provoke would even require much more intrusive state intervention and much more comprehensive state planning, coordinated at the international scale, than the most orthodox statist could imagine. Having this in mind, the framers of the proposed Charter find it imperative to reform the public sector in order to promote an attractive investment climate; set-up a decision-making institution like the parliamentary form conducive for capitalism's need for periodic adjustment; and institutionalize an elitist republican virtue that is not democratic.

*(a) Public Sector Reform for and with Markets*

The 1987 Constitution enjoins public officers and employees to serve the people, to whom they are at all times accountable, with “utmost *responsibility*” among other virtues (Article XI, Section 1). The proposed Constitution, on the other hand, enjoins public officers and employees to serve the people with “utmost *efficiency*” (Article XIII, Section 1) consistent with its institutionalization of market values, or the use of business techniques within the state as in the “new public management” framework, treating the values required of a democracy such as due process, openness, justice and responsibility as mere liabilities. The emphasis on “efficiency” by which public service is defined in the proposed Constitution thus recognizes the need for greater government efficiency as a precursor to creating the environment right for business and the requirements of productivity, rather than the notion of a moral economy derived from matters of justice, equality and the public good. The logic is clear: the public sector forms a substantial part of the economy; and as such productivity in this sector has an important and direct impact for the productivity performance of the economy as a whole.

Government institutions do not merely provide certain degree of predictability for capital. To a large extent, they also manage market forces through policies of privatization (the sale of public assets to private investors) and liberalization (opening up of restricted markets to competition). Equally important for the system is that market forces are institutionally managed through the reorientation of regulation, in particular a regulatory framework in a regime of “de-regulation,” privatization, and liberalization. However, the central task of this regulation under a neoliberal regime is to secure the interest of business, and not of the citizenry writ large. This is the context within which public sector reform is introduced, one that works *for* and *with* the market. But again, as has been mentioned above, the accountability of the market—whose conduct of business implicates the rest of the society—is not defined in the proposed Charter. It therefore enforces the separation of “the economic” and “the political” in capitalist discipline as well as the paradox at the heart of capitalist production: the *exclusion* of the poor and workers from wealth and yet their

*inclusion* in the circuits of its production. Further, it implies that the state, and hence the Filipino citizenry, will be the absorber of risks as well as failures of market adventurism.

This does not mean, however, that the public sector should not be reformed and that public officers and employees should not be efficient. Of course, public service productivity and efficiency is important for the needs of the people and the legitimate demands of taxpayers, and the building of infrastructure for education, health, and transportation. It is simply to point out how market forces are also institutionally managed through “corporatization” (public sector organizations adopting corporate form of organization as well as corporate values). It is also to simply point out that contrary to the philosophy of the market fundamentalists that markets are always efficient and that state intervention is wrong; markets are *not always* efficient, and governments are *not necessarily* inefficient.

#### *(b)Parliament for Markets*

Taking into account contemporary political conjuncture and the configuration of power relations, especially the seeming absence of alternatives clear to the people and the apparent lack of a vibrant political party dynamics in the country, the shift from a presidential to a parliamentary form of government at this time would provide a formidable institutional guarantee for the long-term lifelong political leadership of Arroyo and her political clientele. If this shift were constitutionalized, sooner than later, the opposition groups will be incorporated in the regime, or their dream of electoral victory over the incumbent may be nearly impossible. That is a clear political logic. But there is also a deeper political economic logic that underpins the need for a transformation of the institution for decision-making. It is the link—often broken in contemporary discussions—between globalization and a parliamentary form of government.

The premises are straightforward. First, the global capitalist system does not run smoothly, but is inherently insecure, precarious, and crisis-ridden; it is subject to periodic adjustments which states need to enforce for it to perpetually thrive and survive. Thus, globalization is presented not only as a blueprint for continuing market-led development, but also as a set of conscious policies and initiatives for the management of its contradictions. Second, the foremost strength of a parliamentary form of government lies in the fusion of the executive and the legislative functions which makes decision- and policy-making relatively fast and smooth compared with the presidential system’s proneness to policy paralysis. Thus, a parliamentary system is conducive to the institutional requirements of the exigencies of (global) capitalism.

This need for responsive institutions under conditions of the crisis-ridden system is evident at the aftermath of the 1997 Asian economic crisis when the task of “surveillance” has become one of the core responsibilities of the International Monetary Fund and the World Bank as managers of global capitalism. The IMF, in particular, under the terms of its Articles of Agreement, undertakes “surveillance” of the financial and economic issues of a universal membership of 184 countries. Why is surveillance then important for the management of global capitalism? In today’s globalized economy, where the economic and financial policies of one country may affect many other countries, international cooperation to monitor economic developments on a global scale is essential (see IMF 2006). By doing surveillance, the global managers of capitalism would then be able to detect the vulnerabilities and risks of the global capitalist order at an early stage. This, in turn, would allow them to prescribe the restructuring of the policy frameworks and institutions of member countries in the guise of improving transparency and accountability. In this case, then, a parliamentary institution, which is not constrained with too much checks and balances characteristic of a presidential form but one which is responsive to the system’s recurrent crisis and needs for periodic social restructuring, is essential.

In theory, the parliamentary form of government has its important merits for governance, and even for a vibrant democracy. However, the parliamentary project in the proposed Constitution is a *normative* alternative being offered, based on the needs and interests of capital and the (incumbent) elites. In this context, the parliamentary system would be *functional* to the capitalist and elitist systems. What is lacking in the provision of an alternative form of government is the *realpolitik* in the Philippine society—that is, a political and economic alternative grounded in the country’s culture, history, and developmental needs, and based on the transformative power of reality.

### *(c) Republicanism Against Democracy*

The first section in the article on “Declaration of State Principles and Policies” in the proposed Constitution reflects a great deal about the Consultative Commission’s elitist stance. It says, “The Philippines is a republican state,” full stop. As such, it has ceased to declare the Philippine state as “democratic” as in the 1987 Constitution. This is not mere oversight. This can only mean that the Philippine state remains a republic, but not democratic. The members of the ConCom are serious about this. Many of them have strong background in political philosophy. In political theory, republicanism is pitted against democracy; in particular, to the “excesses” and “dangers” of absolute democracy. In the history of political thought, republicanism is intrinsically elitist, and even capitalist. In contemporary politics, the United States often asserts its republican virtue as a justification for its “exceptionalism” in international law. In modern political theory, the central organizing principle of

republicanism is the concept of citizenship, which implies not simply the passive enjoyment of rights as in liberal democracy but the active participation of citizens in pursuit of a common good. Active citizenship however was reserved for men of property, and not for women or those men who “lacked the wherewithal to live of themselves”—indeed, not for men who depended on his livelihood by working for others. The republicans, as well as the liberals, agree about the exclusivity of the political nation. Hence, their core conception of citizenship is divided between propertied elites and the laboring multitude (see Wood 1995).

For the framers of the proposed Constitution, the country’s history of “people power” must now be consigned to the past. It is for this reason that the republican virtue of representation is enshrined in a doctrine of parliamentary supremacy. That is to say, there is no legitimate—let alone, constitutional—politics outside the parliament. While the proposed Charter maintains the word “democracy” in the preamble and in some sections, it is a democracy that enables elitism and capitalism to survive. Accordingly, the coercive arm of the state, the Armed Forces of the Philippines, is to be mobilized to protect capital and the incumbent elites in office—not anymore as “protector of the people and the State” as in the 1987 Constitution. The maintenance of the first sentence “Civilian authority is, at all times, supreme over the military,” while deleting the following sentences that define the role of the military as the “protector of the people,” suggests a mandate for the preservation of elite rule. In political theory, of course, “civilian authority” does not refer to ordinary civilian, but rather to the political elites elected into office and appointed by duly constituted authorities.

Indeed, democracy is dangerous to elitism and to capitalism. It is dangerous to these unjust social systems especially if we mean “democracy as a *social relation*” in which “the political,” “the economic,” “the cultural,” and all the other spheres of social life are not separated from, or merely reflective of, one another. Rather, these spheres are *organically connected* to one another. In this sense, political democracy does not only mean the enjoyment of liberal freedoms and equally weighted votes among enfranchised citizens, it also means the rule of the *demos* and its original signification as “popular power.” Cultural democracy is about *being* and not about *having*, in which every human being is respected for who one is and not for what one owns. Economic democracy is not simply about equitable distribution of wealth, but democracy as *the driving mechanism* of the economy. In a word, democracy is an ideal in complete opposition to capitalism and elitism.

## **Conclusion**

The Consultative Commission's proposed Constitution must be given the serious reflection it deserves. The above analysis illustrates how the deepening of the logic of a capitalist economy has created the kinds of tensions that the Philippine bourgeoisie calculates can only be resolved by the redesign of the state itself. The new document proposes to usurp crucial elements of the 1987 Constitution, which forces of elitism and capitalism regard as a burden and threat to their evolving interests. This is not to say that the 1987 Constitution was without flaws. Indeed, there is a sense in which it too sought the reinstallation of elite forms of rule after the "aberrations" of the Marcos dictatorship. But given its timing in the period immediately after "People Power" and given the residual discursive power of the idea of national development, the 1987 Constitution did possess a more balanced approach to the making of the post-dictatorship policy. More than two decades later the world has changed. The new project for constitutional change aims to acquire the necessary legitimacy for the great transformation it seeks to institutionalize for the Philippine society, one that would guarantee the right of the market forces to be the dominant director of the fate of human lives. The proponents are brazen and unapologetic about their capitalist and elitist stance. As an exercise in the "politics of anti politics" it is indeed an illiberal and anti-democratic manifesto.

The Charter Change agenda is nothing if not ambitious. It seeks the kind of social change that simultaneously and systematically restructures the political, the economic, and the cultural spheres to "fit" with the requirements of capitalist development in the current era. This is not an easy task especially under the auspices of an elite political class like represented by Arroyo whose economics ends when her politics begins. Arroyo's administration uses the Charter Change project as a response to the evident crisis of the political system. While her critics think that the political system as a whole is in crisis and that a systemic change is most urgently needed, Arroyo only regards it as a crisis of her personal popularity and that an alternative is still available within the system. But whichever way one may regard the crisis—systemic, institutional, or personalistic—Arroyo exerts every effort to make the crisis functional to her as well as to the entire elite system. With her "creative destruction" of the failing "EDSA institutions," Arroyo's reforms intend doing a favor to both the capitalist and elitist systems. All social institutions are to be oriented toward the survival of Arroyo's regime in the short term, and the preservation of elite rule and capitalism in general. Arroyo may leave her post soon but she is making sure that the neoliberal institutions of economic governance are firmly in place. The proponents of Charter Change use state power, resources, and institutions to shape the will, while nearly all resistance is either parried, silenced or co-opted.

But the Charter Change project at the present conjuncture offers an imperfect response to the burgeoning crisis of the system. Even if the proposed Constitution is to be ratified— either through the by-passing of existing institutional procedures or through successful campaigns among the Filipino electorate—neoliberalism in a framework of a strong republic is inherently unstable and crisis-ridden. The reorientation of capitalist reproduction through the promotion of competitive capitalism on a national scale and the preservation of elite reproduction through a shift to parliamentary form of government at this time would not only perpetually reproduce capitalism and elitism in society. Above all, they will generate the reproduction of social antagonisms across the Philippine geography. These are social antagonisms directly resulting from the assault on democracy, the workers, and the masses constitutive in the proposed Constitution. These are social antagonisms that spring from the very logic of “authoritarian liberalism” itself. The pressing need now is to develop visions of, and argument for, an alternative to the market-driven politics that has become the *de facto* archetype for the “strong state, free economy” in the globalizing world.



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